



# THE SCHOOL OF PUBLIC POLICY

## **Albertans are being short-changed. Canada's Fiscal Stabilization Program needs reform now. New School of Public Policy report**

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Calgary – Albertans are feeling robbed given how much they contribute to the rest of Canada and how little help they get back when their economy is in serious trouble.

Grievances tend to fall on the unfairness of the federal equalization program. Yes, it is true that the equalization program needs reform, but what Albertans should really complain about is the fiscal stabilization program. A program meant to be a form of insurance for provinces whose economies experience economic shocks. In reality, it is an insurance policy that has been designed so that it barely pays anything to Alberta. In 2015–16, Alberta's total own-source revenues declined by **\$8.8 billion**. However, Alberta only received **\$248.3 million** under the fiscal stabilization program. Alberta suffered a revenue reduction of **\$2,114 per capita**, but the fiscal stabilization program caps payouts at a meagre **\$60** per capita.

Today, The School of Public Policy with author and economist Dr. Bev Dahlby released a report that calls for the reform of Canada's Fiscal Stabilization program with a solid roadmap of how to get there.

According to Dahlby, "The fiscal stabilization program should be reformed to ensure that it actually provides adequate levels of insurance to the resource-dependent provinces. That is, after all, the stated purpose of the program. A new formula should be developed that will provide meaningful assistance to provinces when they need it. A fair formula for a fiscal stabilization program should meet the same criteria as any good insurance policy. It should cover only significant losses, which in this case should be a meaningful reduction in all of a province's own-source revenues — including nonrenewable resource revenues — compared to an average of the previous five years. It should include a deductible to ensure that the insured party, the province in this case, still has an incentive to manage their fiscal affairs responsibly. And it should offer simple and transparent terms along with a streamlined claims process."

The program needs to support provinces in the event of extraordinary declines in their revenues. The current formula violates these principles. Improving the formula will not save Alberta and other resource-rich provinces from all the pain of the occasional resource bust, but it will help alleviate some of it. That is what the fiscal stabilization program was meant to do. It is time to reform it so that it can finally live up to that promise for every province in the country.

The paper can be downloaded at <https://www.policyschool.ca/publications/>

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